

California Energy Commission's Quarterly Report Regarding the Renewables Funding Program

(January 1 - March 31, 1999)

The California Energy Commission (Commission) is pleased to submit its Quarterly Report on the Renewables Funding Program covering the period January 1 through March 31, 1999¹. The report describes the Commission's implementation activities, including information regarding awards submitted to the State Controller² for payment, the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and related matters.

Background

Assembly Bill 1890 ([AB 1890] Chapter 854, Statutes of 1996) required California's three major investor-owned utilities to collect **\$540 million** from their ratepayers over a four-year period (1998-2002) to help support renewable electricity-generation technologies and the development of a renewable market. As AB 1890 required, the Commission submitted its ***Policy Report on AB 1890 Renewables Funding (Policy Report)*** to the Legislature in March 1997, with recommendations for allocating and distributing these funds. Senate Bill 90 ([SB 90] Chapter 905, Statutes of 1997) subsequently established a Renewable Resources Trust Fund, placed the \$540 million into the fund, and directed the Commission on how to distribute the fund through four distinct accounts consistent with the ***Policy Report***. These accounts and the total funds allocated to each are:

- Existing Renewable Resources Account (**\$243 million**)
- New Renewable Resources Account (**\$162 million**)
- Emerging Renewables Resources Account (**\$54 million**), and
- Customer-Side Renewables Resources Purchases Account:
 - Customer Credit Subaccount (**\$75.6 million**)
 - Consumer Education Subaccount (**\$5.4 million**)

In January 1998, consistent with SB 90, the Commission adopted overall funding guidelines, eligibility requirements, yearly allocations, and account-specific guidelines to assist participants in applying for funding from the various accounts within the Renewables Funding Program.

Renewables Funding Program Implementation

¹ Public Utilities Code (PUC), Article 5, Section 445(g) requires the Commission to report to the Legislature quarterly on fiscal and programmatic aspects of the program.

² As a procedural matter, the Commission submits awards directly to the State Controller for payment, rather than through the Treasurer. This procedure significantly streamlines the award-payment process for all participants.

The mechanisms for distributing funds vary by account, as do the implementation activities for each account. Table I highlights the Commission's implementation activities for the first quarter of 1999 and describes the expected funding and implementation activities for the second quarter.

Table I
Renewables Funding Program:
First Quarter 1999 Program Implementation

Account, Program-Implementation and Funding Activities: January – March 1999	Expected Funding and Implementation Activities: April – June 1999
Existing Resources Account	
<ul style="list-style-type: none"> • A total of 306 facilities registered as renewable suppliers and 219 facilities are eligible for funding. • Tier 1 (biomass and solar/thermal) paid 1.5 cents/kWh on 554 million kWh for November, December, and January. • Tier 2 (wind) paid from 0.23 – 0.76 cents/kWh on 277 million kWh for November, December, and January. • Tier 3 (geothermal, digester and landfill gas, small hydro and municipal solid waste) paid 0.0 cents/kWh on 806 million kWh for November and December, and from 0.04 – 0.26 cents/kWh on 526 million kWh for January. • Payments totaling \$10,844,183 made this quarter. • Rollover of about \$21.9 million as of March 31. 	<ul style="list-style-type: none"> • Payments for February, March, and April generation are scheduled for April 30, May 31, and June 30, 1999, respectively. • Estimated second quarter 1999 payments (February, March, April): \$19.2 million.
New Resources Account	
<ul style="list-style-type: none"> • All 55 Project Award Packages have been received, 38 submitted this quarter. • Commission has approved 35 Project Award Packages as of March 31. • No projects have begun operating and no payments made during first quarter. 	<ul style="list-style-type: none"> • Project developers will continue to reach milestones Toward coming on line. • Construction of some projects has been completed, payments are likely to begin during second quarter.
Emerging Resources Account	
<ul style="list-style-type: none"> • Received buydown-reservation requests totaling over \$8.5 million since program began March 20, 1998, with about \$1 million reserved this quarter. • Payments for installed systems totaling about \$1.18 million as of March 31. • Received 78 new reservation requests this quarter. 	<ul style="list-style-type: none"> • More payments to smaller systems (less than 10 kW) expected. • Several large and medium projects are near completion and should receive payments soon. • Release of consumer residential and business surveys targeted for mid April.
Customer-Side Account	
Customer Credit Subaccount	
<ul style="list-style-type: none"> • Thirteen active marketers registered as renewable providers, offering a total of 24 products containing renewable energy. • Four new providers registered this quarter. • Payments totaling \$4,190,401 have been made to renewable providers. • Rollover of about \$11 million as of March 31. 	<ul style="list-style-type: none"> • More payments will be made as providers continue to submit invoices for funding. • The market will continue to be dynamic, as renewable providers and products are added and dropped.
Consumer Education Subaccount	
<ul style="list-style-type: none"> • The Commission approved the Renewable Energy Consumer Education Marketing Plan on February 17. • A contract for securing the Renewable Energy Marketing Board to administer part of the marketing plan was approved by Commission on March 17. 	<ul style="list-style-type: none"> • Implementation of initial phases of the Marketing Plan and funding disbursements for consumer education activities is expected to begin.

Renewable Resources Trust Fund Expenditures

Total funds *received* through March 31, 1999 amount to \$136.9 million for all four accounts. Total funds *awarded* as of the first quarter of 1999 amount to \$65.9 million, reflecting payments (disbursements) from the Existing Resources Account, the Emerging Resources Account, and the Customer Resources Account. Total funds *reserved* amount to \$41.5 million, reflecting fund reservations (encumbrances) from the Emerging Resources Account, the New Resources Account, and the Customer Resources Account. Table II shows a financial summary of the Renewables Resources Trust Fund, by account, as of the first quarter 1999.

Table II
Renewable Resources Trust Fund
Current Funding and Expenditures for the Quarter Ending March 31, 1999
(\$ millions)

	Existing Resources Account	New Resources Account³	Emerging Resources Account	Customer Resources Account	Program Total⁴
Available Funds	77.869	32.925	13.688	12.394	136.880
Disbursements	(60.554)	0.000	(1.176)	(4.190)	(65.920)
Current Balance	17.315	32.925	12.512	8.203	70.955
Encumbrances	0.000	(32.925)	(7.412) ⁵	1.200	(41.537)
Unexpended Funds	17.315	0.000	5.100	7.003	29.418

The three investor-owned utilities continue deposits into the Fund with payments current to March 31, 1999. The program design has a built-in, two-month processing period for payments to eligible energy in several accounts. As Table II reflects, payments were made from the Existing Resources Account for electricity produced through January 1999, payments were made from the Customer Resources Account to providers of renewable energy, and claims were paid to systems through the Buydown Program in the Emerging Resources Account. Encumbrances (reservations) were made from the Emerging Resources Account for systems participating in the Buydown Program, the Customer Resources Account for initial implementation activities of the *Renewable Energy Consumer Education Marketing Plan*, and from the New Resources Account for the 35 projects with approved Project Award Packages. Funding to these projects will eventually total over \$124 million; funds from the New Resources Account will continue to be reserved as they become available.

³ The Commission conditionally allocated \$162 million at its June 5, 1998 auction for future incentive payments. Funds are encumbered for projects following their Project Award Package approval.

⁴ Program Totals include \$4,343 in voluntary contributions.

⁵ Reservation requests granted (but not yet paid) since the March 20, 1998 start-up of the Buydown Program.

The Buydown Program has received 288 reservations since it began on March 20, 1998, including 78 new reservation requests in the first quarter of 1999. These encumbrances and about \$1.18 million in payments to eligible facilities represent cumulative program operations through March 31, 1999. Other expected activities in this account include a mid-April release of consumer residential and business market research surveys, and a consultant report on market research, which should be finalized at the end of the second quarter.

Commission program staff for the New Resources Account have received all 55 Project Award Packages from winners in the June 1998 auction for conditional funding awards. To date, the Commission has approved 35 at five Business Meetings held during the last quarter of 1998 and the first quarter of 1999. Prior to the Business Meetings, the Project Award Packages were presented to the Renewables Program Committee for review at four different public hearings. After the Commission approves their Project Award Packages, winning developers must complete five additional milestones established by program guidelines before they can begin receiving payments. No payments from the New Resources Account occurred in the first quarter of 1999, since none of the developers with approved Project Award Packages had completed all milestones and begun generating electricity. However, several projects with Project Award Packages approved during the latter part of the first quarter of 1999 are already operational, and will begin receiving payments once the Commission confirms their completion of all required milestones. This is anticipated to occur during the second quarter of 1999.

Fund disbursements from the Customer Credit Subaccount continued as payments were made to registered providers who purchased eligible renewable electricity generation and passed the customer credits on to their customers. Payments totaling over \$1.7 million were made this quarter, bringing total disbursements from the subaccount to \$4,190,401. Four new marketers registered as providers, adding six new products containing renewable energy. Four registered marketers are no longer active, due to suspension of registration, the possibility of registration suspension, or discontinuation of products. The market is expected to remain on a dynamic course, as renewable electricity providers and their products continue to enter and withdraw. To date, 24 products are offered by the 13 active, registered providers.

A major decision was made in the allocation and administration of the funds from the Consumer Education Subaccount. After considering comments received from two public workshops held in 1998, the Renewables Program Committee's proposed *Renewable Energy Consumer Education Marketing Plan* was adopted by the Commission at its February 17 Business Meeting. The goals of the *Marketing Plan* include raising consumer awareness of renewable options and their benefits, and increasing purchases of renewable energy from small-scale technologies and the grid. Administration of a portion of the *Marketing Plan* will be a coordinated effort between the Commission and the Renewable

Energy Marketing Board. Fund disbursements from this subaccount are anticipated to begin in the second quarter of 1999.

In summary, the Commission continues to make excellent progress in implementing the Renewables Funding Program. We expect program disbursements of the Renewable Resource Trust Fund to increase in the second quarter of 1999.